CITY OF ALAMEDA
Memorandum

To: Honorable Mayor and
Members of the City Council

From: John A. Russo
City Manager

Date: November 15, 2011

Re: Accept the Quarterly Sales Tax Report for the Period Ending June 30, 2011

BACKGROUND

This report summarizes the sales tax transactions for the period April 1 through June 30, which is the basis for sales tax revenues received by the City between July 1, 2011, and September 30, 2011. For purposes of this report, sales tax revenues exclude Proposition 172 funds, the allocation from the statewide pool for public safety services.

DISCUSSION

Sales tax continues to be the fourth largest source of General Fund revenue for the City of Alameda, representing approximately 6% of total revenues for FY11-12. Taxable sales transactions in Alameda increased approximately 10%, or $138,000, from the same quarter in the prior fiscal year. This increase is shown on the tables on the following page, which reflect sales by economic category and by geographic area.

The top 25 businesses in Alameda represent approximately 52%, or $785,300, of the quarter's sales transactions. The top 100 businesses represent approximately 79%, or $1.2 million, of the quarter's sales transactions.

A historical comparison of per capita sales between Alameda and other cities in Alameda County for the past 13 quarters is shown in Exhibit 1. Additional exhibits have been included in this report that summarize the history of sales tax for the City's major industry groups (Exhibit 2), a per capital sales tax surplus/gap analysis showing potential sales lost to other communities (Exhibit 3), and the sales tax economic outlook for California (Exhibit 4).

The following is a summary of the key economic categories of sales tax, in comparison with the same quarter of the prior fiscal year:

Economic Category	Total	Percent of Total	Dollar Change	Percent Change
Transportation & Fuel	$277,281	18%	$25,798	10%
Food & Drugs	$207,792	14%	$13,341	7%
General Consumer Goods	$229,593	15%	$7,359	3%
Business & Industry	$461,218	31%	$58,714	15%
Restaurants & Hotels	$288,648	19%	$33,834	13%
Building & Construction	$45,900	3%	($1,376)	-3%
Total - Quarter	**$1,510,432**	**100%**	**$137,670**	**10%**

Business and industry increased due to increases in sales in the medical/biotech and business services sectors. Restaurants and hotels increased primarily due to restaurant sales, while the increase in transportation and fuel reflects increases in gasoline prices.

The following is a summary of the geographic generation of sales tax, in comparison with the same quarter of the prior fiscal year:

	2nd Quarter 2011			
Geographic Areas	**Total**	**Percent of Total**	**Dollar Change**	**Percent Change**
Park – North of Lincoln	$145,477	10%	19,811	16%
Park – South of Lincoln	164,801	11%	6,600	4%
Webster – North of Lincoln	101,624	7%	13,702	16%
Webster – South of Lincoln	31,863	2%	(1,007)	-3%
Bridgeside Center	60,135	4%	10,853	22%
Alameda Towne Centre	312,647	21%	51,661	20%
Marina Village Shopping Center	38,980	3%	573	1%
Harbor Bay Landing	39,075	3%	184	0%
Marina Village Business Park	57,045	3%	18,638	49%
Harbor Bay Business Park	51,451	3%	6,579	15%
All Other Areas *	507,334	33%	10,076	2%
Total - Quarter	**$1,510,432**	**100%**	**137,670**	**10%**

*Includes monies received from the State and County sales tax pool

Increases were noted in most geographic areas. These increases were primarily due to fuel and restaurant sales and one-time adjustments made in the prior year.

As of September 30, 2011, fiscal year sales tax revenues were approximately $949,000, or 21%, of the $4.4 million budgeted for FY11-12, which is similar to the amount received through the same quarter in FY10-11.

RECOMMENDATION

Accept the Quarterly Sales Tax Report for the period ending September 30, 2011.

Respectfully submitted and approved as to funds and account,

Fred Marsh
Controller

Exhibits:

1 – All Business Types – 13 Quarter History (adjusted basis)
2 – Major Industry Groups
3 – Per Capita Sales Tax Surplus / Gap Analysis
4 – Sales Tax Update

cc: Rob Ratto, PSBA
Harry Hartman, GABA
Judi Friedman, WABA
Renee Kellogg, Alameda Chamber of Commerce

CITY OF ALAMEDA

ALL BUSINESS TYPES - 13 QUARTER HISTORY

ADJUSTED FOR ECONOMIC DATA

Adjusted by moving retroactive payments with an absolute value of $5,000 or more into the quarter the sale was generated

Chart Description: *This chart compares **per capita** sales to that of other jurisdictions. The prior 12 quarters are shown graphically for historical reference purposes. **Allocations have been adjusted to reflect economic data**.*

Comparison Agencies

Quarters Shown Reflect the Period in Which the Sales Occurred - Point of Sale

$ (Thousands)

Alameda
Outlets = 2,275

Oakland
Outlets = 12,613

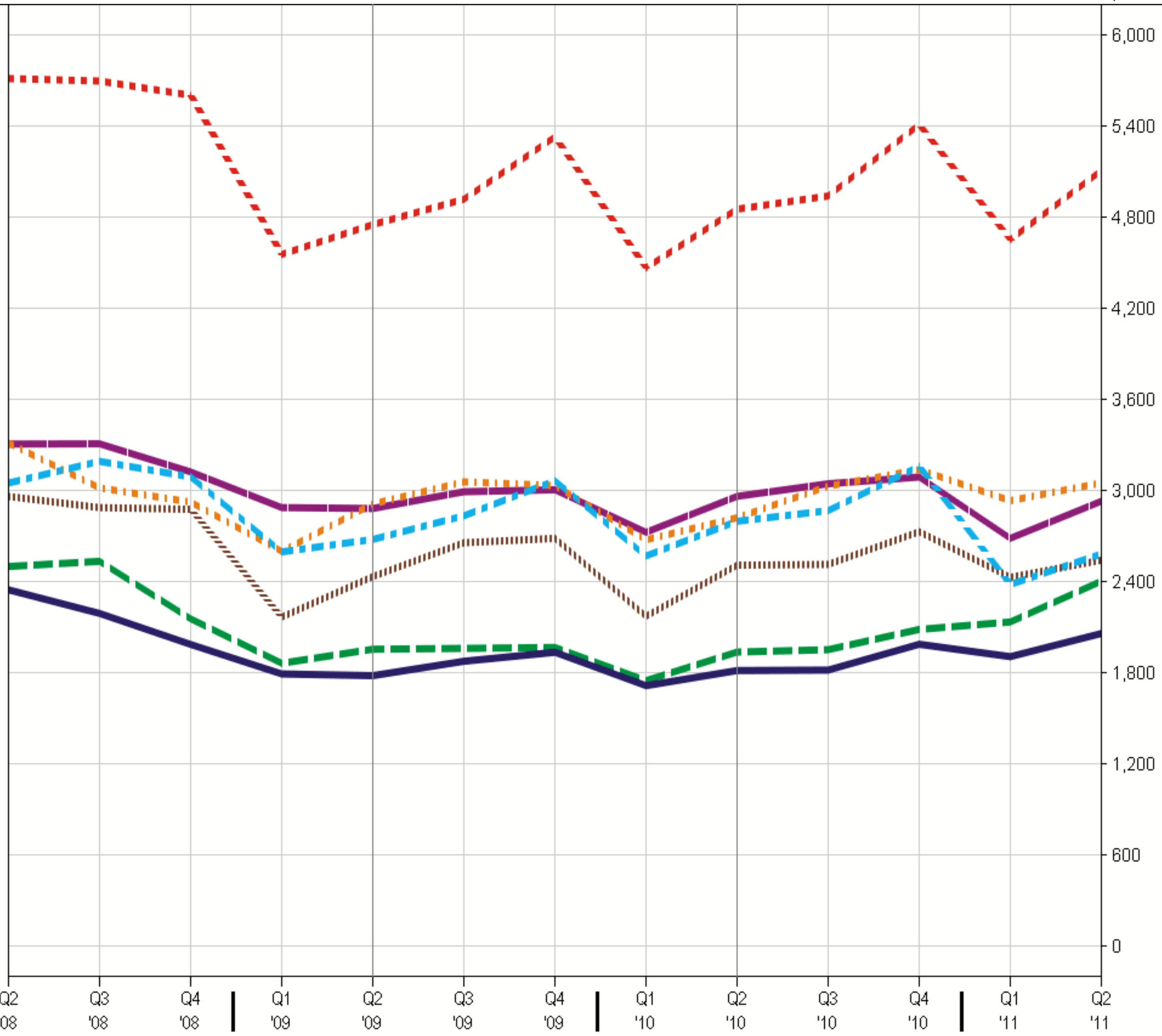
San Leandro
Outlets = 2,677

Albany
Outlets = 531

El Cerrito
Outlets = 674

Berkeley
Outlets = 4,786

Richmond
Outlets = 2,110

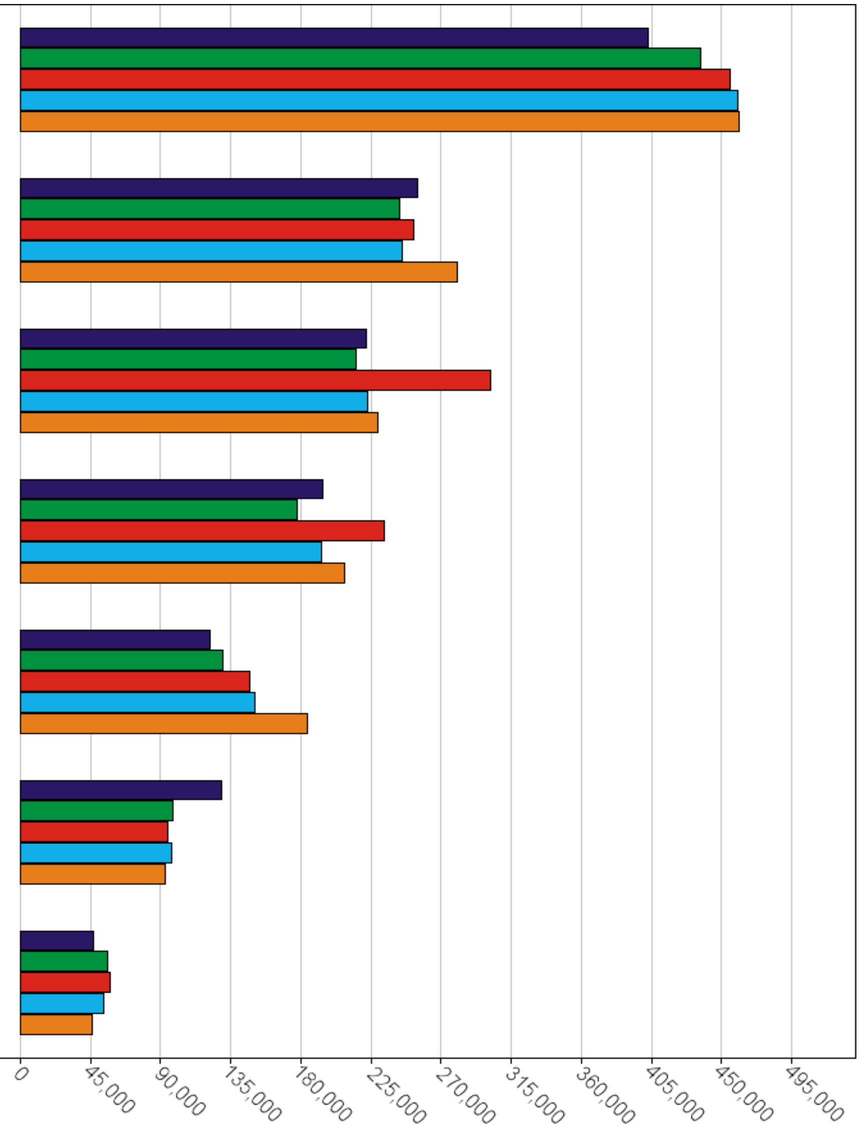


CITY OF ALAMEDA
MAJOR INDUSTRY GROUPS

Chart Description: *This chart compares sales tax for the Major Industry Groups listed in descending order by current quarter sales volume. The prior 4 quarters are shown graphically for historical reference purposes.*

Industry Group | Sales Qtr | $ | Quarters Shown Reflect the Period in Which the Sales Occurred - Point of Sale

Industry Group		Sales Qtr	$
Business And Industry Outlets = 502		Q2/2010 -	402,504
		Q3/2010 -	436,483
		Q4/2010 -	455,395
		Q1/2011 -	460,491
	*	**Q2/2011 -**	**461,218**
Restaurants And Hotels Outlets = 267		Q2/2010 -	254,814
		Q3/2010 -	243,351
		Q4/2010 -	252,122
		Q1/2011 -	245,109
	*	**Q2/2011 -**	**280,195**
General Consumer Goods Outlets = 1,204		Q2/2010 -	222,234
		Q3/2010 -	215,153
		Q4/2010 -	301,999
		Q1/2011 -	222,968
	*	**Q2/2011 -**	**229,593**
Food And Drugs Outlets = 93		Q2/2010 -	194,451
		Q3/2010 -	177,434
		Q4/2010 -	233,171
		Q1/2011 -	192,862
	*	**Q2/2011 -**	**207,792**
Fuel And Service Stations Outlets = 17		Q2/2010 -	122,089
		Q3/2010 -	129,911
		Q4/2010 -	147,557
		Q1/2011 -	150,298
	*	**Q2/2011 -**	**184,457**
Autos And Transportation Outlets = 126		Q2/2010 -	129,394
		Q3/2010 -	97,678
		Q4/2010 -	94,698
		Q1/2011 -	97,105
	*	**Q2/2011 -**	**92,824**
Building And Construction Outlets = 65		Q2/2010 -	47,276
		Q3/2010 -	56,303
		Q4/2010 -	57,405
		Q1/2011 -	53,569
	*	**Q2/2011 -**	**45,900**



* Current Quarter

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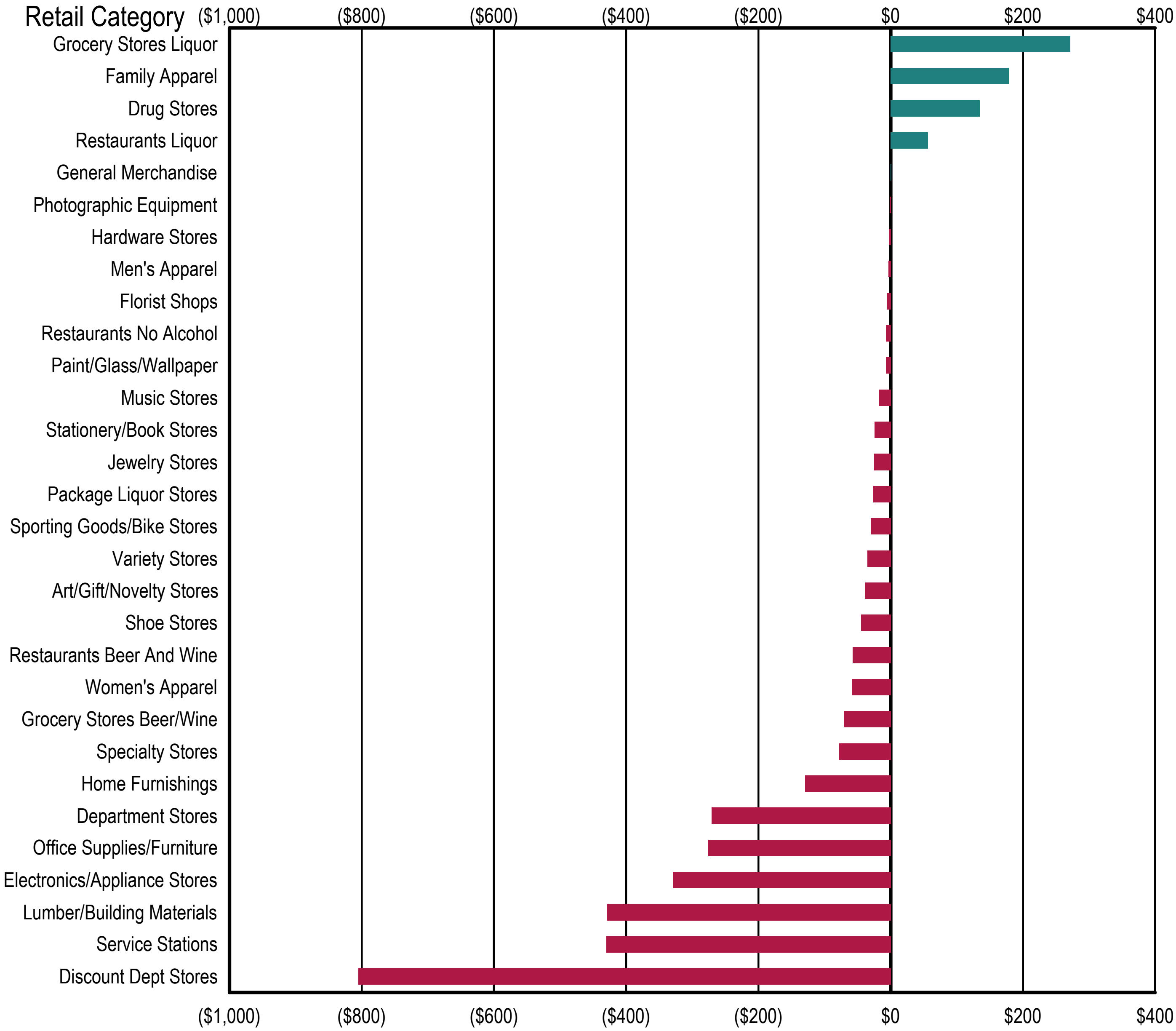
ADJUSTED FOR ECONOMIC DATA

PER CAPITA SALES TAX SURPLUS/GAP COMPARISON - 4 QUARTERS ENDING 2ND QUARTER 2011



The above graph compares **per capita** sales tax generated from targeted retail categories against countywide averages. A **retail surplus** suggests the community is capturing its local market for that category of goods plus attracting shoppers from outside the jurisdiction. A **retail gap** suggests the possibility that residents may have a greater demand for products in the specific category than is being satisfied by local businesses. The information is provided only as a **starting point** in identifying potential sources of sales tax loss and should not automatically be interpreted as an expansion or leveraging opportunity without more detailed analysis and assessment.

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PER CAPITA SALES TAX SURPLUS/GAP COMPARISON - 4 QUARTERS ENDING 2ND QUARTER 2011

Retail Category	Per Cap Sales Capture (+) or Gap (-)	Sales Tax Deviation	Typical Sales Per Sq Ft by Retail Type	Approx Sq Ft to Close Gap
Grocery Stores Liquor	$272	$201,345	$110	n/a
Family Apparel	178	132,175	375	n/a
Drug Stores	135	99,698	350	n/a
Restaurants Liquor	57	41,997	575	n/a
General Merchandise	1	607	100	n/a
Photographic Equipment	(2)	(1,237)	Insufficient data	Insufficient data
Hardware Stores	(3)	(2,163)	225	1,000
Men's Apparel	(4)	(2,660)	225	1,000
Florist Shops	(6)	(4,304)	150	3,000
Restaurants No Alcohol	(7)	(5,415)	650	1,000
Paint/Glass/Wallpaper	(7)	(5,475)	250	2,000
Music Stores	(17)	(12,794)	200	6,000
Stationery/Book Stores	(25)	(18,357)	200	9,000
Jewelry Stores	(25)	(18,705)	500	4,000
Package Liquor Stores	(26)	(19,409)	Insufficient data	Insufficient data
Sporting Goods/Bike Stores	(30)	(22,158)	225	10,000
Variety Stores	(35)	(26,054)	100	26,000
Art/Gift/Novelty Stores	(39)	(28,780)	150	19,000
Shoe Stores	(45)	(33,218)	200	17,000
Restaurants Beer And Wine	(57)	(42,426)	575	7,000
Women's Apparel	(59)	(43,449)	375	12,000
Grocery Stores Beer/Wine	(71)	(52,264)	175	30,000
Specialty Stores	(78)	(57,813)	175	33,000
Home Furnishings	(129)	(95,890)	175	55,000
Department Stores	(271)	(200,752)	175	115,000
Office Supplies/Furniture	(276)	(204,486)	225	91,000
Electronics/Appliance Stores	(329)	(244,052)	500	49,000
Lumber/Building Materials	(429)	(317,467)	300	106,000
Service Stations	(430)	(318,556)	n/a	n/a
Discount Dept Stores	(805)	(596,337)	475	126,000

Average sales per square foot are based on HdL's overview of average statewide chain store sales. The square footage needed to close the gap is only on approximation and specfic demand will vary with regional and local market conditions and individual retailers.

NOTES

Statewide Results

California's local sales and use tax revenues for sales occurring April through June 2011 were 9.4% higher than the same quarter of 2010 after payment aberrations were removed. This marks the sixth consecutive quarter of growth since the recovery began.

Higher fuel prices accounted for much of the statewide increase. Easing consumer credit, sales incentives and pent up demand led to gains in new auto sales while consumers also showed signs of spending more freely in specialty stores, home furnishings, apparel categories, jewelry and restaurants.

Electronics sales in the Bay Area sharply outpaced statewide results and highlighted the continued strength of tech-oriented business in that region. Stimulus funded infrastructure projects produced temporary gains in sales tax on concrete, asphalt and aggregates but are expected to wane later in the year as funding is depleted.

Increased airport traffic and auto rentals suggest that travel and leisure sales are in a recovery mode.

Fuel Prices Boosting Receipts

Second quarter fuel sales represented 38% of the total statewide sales tax increase. California consumers paid an average of $3.94 per gallon the week of September 12th, 94 cents higher than the same period of 2010, but below the all-time high of $4.59 in 2008. Crude oil prices, which account for about 85% of gasoline price variability, were $90.21 a barrel in September 2011 versus $141.06 in the summer of 2008.

Although future gas prices are expected to decline from this year's highs, increased exports of U.S. refinery output to other countries are expected to keep prices here at elevated levels.

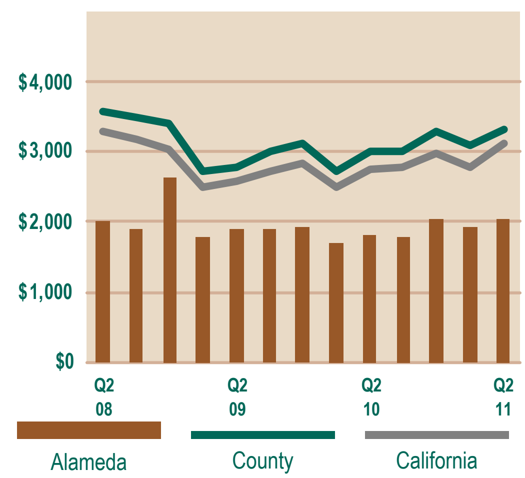
Growth in the Hourglass Economy

The good news is that the economy is in recovery, the bad news is this may be as good as it gets according to a recent International Monetary Fund report which highlights problems caused by a shift to an hourglass economy.

This type of economy is characterized by a large and expanding group at the top with high skills and high incomes offset by an expanding group at the bottom with low skills and low pay. The middle levels traditionally composed of skilled or semi-manual workers in good paying jobs continue to decline, giving the occupational income profile of the economy its distinctive shape. The 2010 Census revealed that most Americans' inflation-adjusted incomes were either stagnate or in decline with the proportion of people living in poverty now at 15.3% while 24% of the nation's wealth is concentrated in the top 1/10th of one percent.

Consumer spending has historically accounted for 70% of economic output and with the wealthiest 5% of Americans now accounting for 37% of all consumer spending, retailers are bifurcating their marketing strategies into sales of high end and low end goods while reducing offerings for the disappearing middle class. Economists say the dependency on just a small portion of the population for increased spending limits future growth potential and fosters more boom and bust cycles. This is because the wealthy splurge and speculate when their savings are doing well and quickly cut back when the value of their assets tumble. Analysts further argue that this lack of growth potential is why major corporations are sitting on record profits and not investing in more employees.

Sales Per Capita



Alameda Top 15 Business Types

Business Type	Alameda Q2 '11*	Alameda Change	County Change	HdL State Change
Boats/Motorcycles	47.6	-40.3%	-18.2%	7.1%
Business Services	44.7	299.1%	3.7%	19.8%
Drug Stores	56.3	-0.7%	-1.9%	2.6%
Family Apparel	90.3	26.4%	13.0%	12.6%
Grocery Stores Liquor	116.0	8.7%	4.1%	1.4%
Home Furnishings	26.0	11.7%	5.4%	3.5%
Light Industrial/Printers	30.9	1.0%	-6.6%	0.2%
Medical/Biotech	306.2	16.6%	-16.2%	-19.2%
Office Supplies/Furniture	23.3	32.6%	46.6%	43.0%
Plumbing/Electrical Supplies	— CONFIDENTIAL —		-9.9%	4.5%
Restaurants Beer And Wine	47.1	4.1%	1.7%	-1.4%
Restaurants Liquor	97.3	3.4%	6.8%	8.7%
Restaurants No Alcohol	120.8	10.2%	1.4%	3.4%
Service Stations	183.5	50.4%	29.4%	30.9%
Specialty Stores	45.4	-0.9%	4.1%	5.4%
Total All Accounts	**$1,510.4**	**10.0%**	**7.0%**	**10.1%**
County & State Pool Allocation	**213.7**	**16.7%**		
Gross Receipts	**$1,724.1**	**10.8%**		
City/County Share	**(86.2)**	**-10.8%**		
Net Receipts	**$1,637.9**	**10.8%**		

**In thousands*